

Summary

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1. Outline of the Project	
Country : Costa Rica	Project title : Project on Productivity Improvement for Enterprises
Issue/Sector : Business Management	Cooperation scheme : Technical cooperation project
Division in charge : Small and Medium Enterprise Division, Industrial Development Department	Total cost : 665 million yen
Period of Cooperation	January 2001 – January 2006
	<p>Partner Country's Implementing Organizations : Ministry of Science and Technology (the supervising authority at the time of the Terminal Evaluation was the Ministry of Education); Technical Instructor and Personnel Training Center (CEFOF) for Industrial Development of Central America</p> <p>Supporting Organization in Japan : Ministry of Economy, Trade and Industry; Japan Productivity Center for Socio-Economic Development</p>
Related Cooperation: N/A	
<p>1-1. Background of the Project</p> <p>The Government of the Republic of Costa Rica aimed to achieve economic autonomy, reinforce the economic infrastructure, develop industries and improve people's livelihood as her policy themes. Productivity improvement, in particular, was recognized as an area that contributed greatly to the industrial development of Costa Rica through human resource development and modernization of enterprises and was considered as one of the priority areas in the national development policy.</p> <p>In this context, the Government of Japan provided Grant Aid for the establishment of the Technical Instructor and Personnel Training Center for Industrial Development of Central America (CEFOF) from 1989 till 1993 and JICA implemented a project-type technical cooperation project entitled "The Technical Instructor and Personnel Training Center for Industrial Development of Central America in the Republic of Costa Rica" from 1992 to 1997. Japanese technologies for productivity improvement including the concept of "5S" (<i>seiri, seiton, seiso, seiketsu</i> and <i>shitsuke</i>) were transferred to the counterpart personnel (C/P) of CEFOF in this technical cooperation project. Consequently, CEFOF has been able to provide training courses based on the "5S" in Costa Rica and neighboring countries which are highly regarded in the Central America region.</p> <p>However, the globalization of industrial activities has changed the needs in productivity improvement significantly. In recognition of the necessity to improve technologies readily applicable to business management and at production sites and to improve and expand the content of services in order to maintain and strengthen its standing as a hub for disseminating technologies and information on productivity improvement not only in Costa Rica but also in the Central American region, this technical cooperation project was implemented from January 2001 till January 2006.</p> <p>The aim of this project was to contribute to productivity improvement in Costa Rica by transferring technologies in four areas, production management, quality management, administrative management and productivity measurement, and by enabling the C/P to provide high-quality technical services to enterprises and organizations using the acquired technologies.</p>	
<p>1-2. Project Overview</p> <p>(1) Overall Goal</p> <p>Strengthening of productivity improvement activities in Costa Rica and the Central American region through CEFOF</p> <p>(2) Project Purpose</p> <p>To enable CEFOF to implement and upgrade productivity improvement activities for Costa Rican enterprises</p>	

(3) Outputs

- 1) The management system of the project will be enhanced.
- 2) The technical capabilities of the counterpart personnel (C/P) will be upgraded in the fields of production management, quality management, administrative management and productivity measurement.
- 3) Consultation services will be implemented systematically.
- 4) Information and promotion services will be upgraded.

(4) Inputs (as of completion of the Project)**Japanese side :**

Long-term experts: 9 pers.	} 503 million yen	Equipment: 61 million yen	
Short-term experts: 23 pers.		Local cost: 45 million yen	
Trainees received: 26 pers.	35 million yen	Others: 21 million yen	Total 665 million yen

Costa Rican side:

Counterparts: Total 16 (including 13 technical C/P)
Equipment: 317 million Costa Rican colones (87 million yen)
Land and facilities: **Local cost:** 1,556 million Costa Rican colones (385 million yen)
Others: (1 colon = 0.2475 yen as of October 2003)

2. Evaluation Team

Member of Evaluation Team	Team Leader/Evaluation Design and Management: Shimboku Miyakawa Deputy General Manager, Consulting Department II, KRI International Corp. Evaluation of private sector development: Munetoshi Ishida Senior Consultant, Consulting Department III, KRI International Corp.	
Period of Evaluation	15 January – 1 February 2009	Type of Evaluation : Ex-post

3. Project Performance**3-1. Performance of Project Purpose**

The total number of enterprises which benefited from this Project during its implementation was 643. (This figure is the total number of beneficiary enterprises in Costa Rica and the Central American region. Enterprises that benefited from both the individual consulting service and the group training were counted once in each category.) TPM, TQM, HACCP, ISO9000s, etc. were incorporated in the services provided by CEFOF in addition to “5S” and *Kaizen* and the types of services increased. The fact that almost all the beneficiary enterprises (clients) expressed their high satisfaction with the services in the interviews and questionnaire inquiry conducted in this evaluation indicate that CEFOF has become capable of conducting productivity improvement activities of a high standard. Moreover, the capabilities of the C/P were enhanced to such an extent that they were accredited as Senior Consultants by the Japan Productivity Center for Socio-Economic Development (JPCSED). These facts indicate that the Project Purpose has been fully achieved.

3-2. Achievement related to Overall Goal

Since January 2006, CEFOF has continued to provide consulting services and training to enterprises in Costa Rica and the Central American region and has accumulated some experience. As a result, recognition of CEFOF’s activities has gradually increased in the Central American region, as supported by those involved in the activities in the interviews conducted in this evaluation. On the other hand, little has been achieved in strengthening networks with organizations promoting productivity improvement in the Central American region and, thus, it remains as a future task. Meanwhile, the activities of the Japanese experts and senior overseas volunteers dispatched after the conclusion of the Project have contributed significantly to the achievement of the outputs in the Central American region, in particular. These findings indicate that, although the Overall Goal has been achieved to a certain level, the level of achievement is insufficient.

3-3. Follow-up of the Recommendations by Terminal Evaluation Study

The Terminal Evaluation pointed out that “it will be necessary to change attitudes towards business activity

among CEFOF employees and to restructure marketing and sales operations in order to ensure CEFOF's sustainability. The purpose of this restructuring is to reinforce the publicity, sale and marketing of the consulting service in order to obtain more clients." However, the awareness gap between the managerial staff and other employees has not been narrowed since the conclusion of the Project. Publicity and sales promotion activities are not conducted sufficiently. Thus, there has been no practical change in the operation and management of CEFOF.

However, the Government of Costa Rica expressed its intention to reform the organization of CEFOF. The government incorporated CEFOF into the Colegio Universitario de Alajuela (CUNA) in April 2007 and, by so doing, changed its supervising authority from the Ministry of Science and Technology to the Ministry of Education. At present, CEFOF, as a part of the newly established Universidad Tecnológica Nacional (UTN) which was created by integrating several educational and training institutions including CUNA, is under organizational reform.

4. Results of Evaluation

4-1 Summary of Evaluation Results

(1) Relevance

It is considered that the relevance of the implementation of this Project was high, in general, for the following reasons:

The Government of Costa Rica recognized improvement of the productivity of small and medium enterprises as one of the priority issues in the "National Development Plan (2002-2006)." The Government of Japan recognizes industry promotion as one of the priority areas in its support to Costa Rica. Therefore, the appropriateness of the Project implementation was high.

The need for activities supporting the productivity improvement of small and medium enterprises is high because they account for 98% of enterprises in Costa Rica. Japan has a technological advantage in this area. Therefore, it is considered that the necessity to implement the Project was high. However, in the area of productivity measurement as one of the four areas in which technology transfer was intended, though the need existed, it was difficult to conduct practical activities because of the conditions specific to Costa Rican enterprises and activities in this area were scarcely implemented during the last stage of the Project.

In relation to the introduction of a "management consultant certification system," measures were taken to enhance productivity improvement activities further by training consultants in sophisticated technologies in the Project, in addition to the provision of training and consulting services to individual enterprises. These measures are highly regarded because the sustainability of CEFOF's activities and a multiplier effect on productivity improvement activities are expected from such measures.

(2) Effectiveness

It is considered that the effectiveness of the Project was slightly above average for the following reasons:

The implementation of this Project improved the capabilities of a total of 11 C/P so much that they received certificates as Senior Consultants from JPCSED and became able to provide high-standard services as business consultants. The records of the activities conducted during Project implementation imply that consulting services, which also provided opportunities for OJT, and information and promotion activities through seminars and conferences were implemented in accordance with the plan. However, the Project Output, "the management system of the project will be enhanced," was not realized sufficiently despite repeated advice from the Japanese side. The poor management system is considered to be one of factors inhibiting the effectiveness of the Project.

As mentioned above, the capabilities of the C/P reached a high standard and the number of areas and clients using CEFOF's services have increased. In addition, these clients expressed their high satisfaction with the activities of CEFOF. These facts indicate that the Project Purpose has been fully achieved.

(3) Efficiency

It is considered that the efficiency of the Project was slightly above average because the Inputs from the Japanese and Costa Rican sides were generally transformed efficiently into Outputs.

Before the Mid-term Evaluation, there were problems related to the Inputs of this Project such as the delay in the dispatch of the Japanese experts and vacancies among the C/P. However, these problems did not seriously affect the technology transfer activities in this Project. Many people involved in this Project including the C/P commented that the delay in payment of their salaries caused by insufficient budgetary allocation to the Project by the Ministry of Science and Technology affected the Project. However, it was impossible to determine where in the project finance the actual problems occurred only from the data

obtained in this study. It was concluded from the information obtained in the interviews with those involved in the Project and the records in the Project Report of CEFOF that the quantities, qualities and timing of the Inputs from the Japanese and Costa Rican sides were generally appropriate. In addition, these Inputs led to the efficient realization of the Project Outputs.

(4) Impact

The impact of this Project at present (as of January 2009), though not yet sufficient, has attained a certain level.

CEFOF has continued to provide consulting services and training to enterprises in Costa Rica and the Central American region since the conclusion of the Project. The number of beneficiary enterprises (clients) of its services has increased steadily and these clients are using the acquired knowledge and skills in productivity improvement at present. Productivity improvement activities in the Central American region have improved and expanded through the implementation of third-country training courses and CEFOF's activities are receiving increased recognition in the Central American region. However, little achievement has been made since the conclusion of the Project in one of the indicators of the Overall Goal, "strengthening of networks with centers for productivity improvement activities and other relevant organizations in the Central American region."

(5) Sustainability

CEFOF has continued to have problems in operation and management and finance even after the conclusion of the project and these problems are considered to have impeded the sustainability of the Project.

Even after receiving the recommendations of the Terminal Evaluation, no fundamental improvement in the operation and management system of CEFOF has been observed. Lack of leadership among the managerial staff and weak publicity and sales promotion activities, in particular, have had a negative effect on marketing and the strengthening of networks with relevant organizations. Inflexible financial management as exemplified by the fact that personnel costs account for most of the expenditure has continued since the conclusion of the Project. Because of the interaction between this inflexible financial management and the problems in the operation and management system mentioned above, CEFOF has failed to actively expand its services.

4-2 Factors that have promoted the Project

(1) Impact

Cooperation with the Ministry of Economy, Industry and Commerce (MEIC) and COOPEMEX is considered to be a factor which contributed to realization of the impact of the project. Since June 2007, CEFOF has provided training and individual consulting services in Alajuela and Turrialba in cooperation with MEIC. Meanwhile, CEFOF has implemented training courses for small and medium enterprises on weeknights in cooperation with COOPEMEX. These activities have increased the proportion of small and medium enterprises among the beneficiaries since 2006.

(2) Sustainability

The activities of the four senior overseas volunteer and Japanese experts dispatched after the conclusion of the Project have contributed to the further development of the C/P's capabilities and, thus, have become a factor contributing to the sustainability of the Project. The management consultant certification system introduced in the last stage of the Project has contributed to enhancing the motivation of the C/P and has resulted in an improved retention ratio of the C/P.

4-3 Factors that have inhibited the Project

(1) Impact

Since January 2006, CEFOF has implemented activities in the Central American region including individual consulting services to enterprises in El Salvador with support from a senior overseas volunteer. However, such activities in the Central American region are always hampered by the lack of travel allowances for the C/P. This example is proof that the financial problems of CEFOF are a factor which have inhibited realization of the Project impact.

(2) Sustainability

It is undeniable that the problems in the operation and management system and the financial problems have inhibited active expansion of the services, as mentioned in (1) above. These problems have thus inhibited the sustainability of the Project Outputs.

4-4 Conclusions

Since the Outputs in human resource development were achieved in this Project as planned, as exemplified by the fact that the C/P obtained accreditation as Senior Consultants from JPCESD, the Project Purpose was achieved at a high level. However, satisfactory results were not obtained during the Project implementation for one of the Project Outputs, “enhanced management system,” and many problems in organizational operation were observed including lack of entrepreneurship and leadership of the managerial staff, organizational vulnerability in the departments responsible for planning, publicity and sales promotion, and a gap in awareness of the problems between the managerial staff and the C/P. There was also interaction between these operational problems and the financial problems. The financial situation in which most of the revenue is used for personnel expenses has changed little since 2001 when the Project began and this financial arrangement has suppressed the project budget. Support for small and medium enterprises was expected, in particular, after the conclusion of the Project. However, the financial problems have prevented CEFOF from actively expanding the productivity improvement activities. Thus, the financial problems are considered to be a factor inhibiting realization of the impact and sustainability of the Project.

CEFOF was incorporated into the newly established UTN in June 2008. The basic concept of the organizational structure and operational rules of UTN is being prepared by the Committee on the Basic Concept of UTN. At present, it is not known what business management and business strategies CEFOF as a part of UTN will have, what types of activities it will implement, or, more importantly, whether it will be able to continue functioning as the hub of productivity improvement in the Central American region or not.

4-5 Recommendations

- 1) Ensuring the sustainability of this Project will require a clear statement that CEFOF will continue implementing its on-going activities as the hub of productivity improvement activities for small and medium enterprises in Costa Rica and the Central American region in the basic concept of the UTN which is being prepared. Those involved in the Project on both the Japanese and Costa Rican sides should do everything to ensure such a statement is included in the basic concept. To ensure an environment which will enable CEFOF to implement productivity improvement activities actively and flexibly in future, it is important to prepare concrete plans on the position in UTN, organization, business strategies and financial planning of CEFOF to sustain the motivation and incentives toward activities in the Central American region of the C/P by well-informed persons and to propose such concrete plans to the above-mentioned Committee on the Basic Concept of UTN, if necessary.
- 2) It is important to place the consultant training activities at the core of the future business strategy of UTN to ensure efficient productivity improvement activities. At present, the C/P have sufficient skills to conduct enterprise management consulting. However, only limited effects of the productivity improvement activities will be realized if CEFOF provides consulting services only to individual enterprises. Therefore, a medium- to long-term vision to develop new human resources in Costa Rica and the Central American region and to multiply the productivity improvement activities will be required.
- 3) Measures to strengthen cooperation with other organizations involved in productivity improvement shall be actively taken, taking into account the importance of the human resource development mentioned in 2) above. International organizations such as the International Labour Organization (ILO), Central American Bank for Economic Integration (CABEI) and IDB have programs to support small and medium enterprises and provide financial assistance to individual projects. In Costa Rica, organizations such as the Small and Medium Enterprise Bureau of MEIC and COOPMEX request group training for small and medium enterprises and other services. Strengthening cooperation and collaboration with these organizations should facilitate access to efficient support for small and medium enterprises, bring stable revenue and enhance the publicity effect.

4-6. Lessons Learned

- 1) In this Project, the implementing agency, CEFOF, earned business revenue by providing services at cost. At the same time, CEFOF received a subsidy from the supervising authority, the Ministry of Science and Technology, (note: CEFOF is currently under the Ministry of Education) for part of the operational expenses which could not be paid with its revenue. As small and medium enterprises with limited payment capacity were considered as the target group of the services, only a small amount of revenue was expected at least during the Project period. The Project Purpose was development of the

capability of CEFOF. Without guarantee of sufficient financial resources for sound operation of the organization, it is difficult to conduct technology transfer activities. Therefore, for projects of a similar nature to this Project, it is essential to hold sufficient consultation with the counterpart government agencies on the financial resources required for project implementation and measures to guarantee such financial resources before implementing the project.

- 2) This Project aimed to equip CEFOF with capabilities which would enable it to become the core center in the Central American region on productivity improvement. When implementing regional projects, policy support and a strong commitment from the counterpart government are more essential than a capable implementing agency. At present, organizational restructuring is in progress in CEFOF as a part of UTN. CEFOF is at a critical moment when it will be decided whether CEFOF will be able to continue functioning as a regional project. Promotion of regional projects requires the counterpart government to recognize the benefits and to have a strong will to support it. Therefore, it is necessary to design projects so that the foundations as regional projects are firmly established during the project period with a view to future development after their conclusion.